Annual Report 2023

Penola & District Financial Services Limited

Community Bank
Penola & District

ABN 76 165 281 854

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Chairman’s report

For year ending 30 June 2023

I am pleased to present to the shareholders of Penola & District Financial Services Limited our tenth Annual Report and my second as Chairman of the Board.

It has been another year of challenging circumstances. As the pandemic seems to be over, the consequences of it still appeared in many forms throughout the year. Through supply chain issues and staff shortages in the business community, pressure on healthcare and economic uncertainty in many of our local industries. The bank faced significant challenges coping with slow growth in local business activity.

We have seen some growth in new to bank business over the twelve months, however this has been offset by some accounts cycling to maturity resulting in a net reduction of 9% in footings. We are still pleased to report a profit after income tax of $83,888. We have finally turned the corner and now have no need for an overdraft despite the ever-increasing operating costs which we still constantly monitor. As you know the RBA increased interest rates throughout the year and as such Bendigo Bank has also increased rates and looks to find a balance for all customers (both investors and borrowers). Our income rates and fluctuations in these rates have a varying impact on our profit. Fortunately, this year was very positive but going forward it is not projected to continue at these levels as margins may reduce.

Our Community Engagement Committee has been busy distributing funds to a wide range of local sporting clubs and not-for-profit organisations. This year alone we have paid out $34,036 in grants, sponsorships, and donations to 32 local clubs and organisations. It is expected that any request for sponsorship must meet certain guidelines including obtaining the organisations business, advertising and signage at the event, and access to members to promote the benefits of banking with Community Bank Penola & District.

Major recipients this year included Penola Rodeo, Penola High School artist in residence and the KNTFL just to name a few. Bendigo and Adelaide Bank Limited ceased the Market Development Funding contributions to Community Banks in June. We now solely rely on our company to provide community grant money from our trading profit. We do however thank Bendigo and Adelaide Bank Limited for their wonderful contribution to the fund for many years while we were getting started.

Once again, I commend the commitment and dedication of our staff during the past year. They have a willingness and enthusiasm to making the branch a welcoming and inviting place for customers to come and do their banking. Personal customer service and branch ambience are still of the utmost importance, as this is the face of our business. Our team is ably lead by Branch Manager, Tara Batt with her tremendous leadership and organising skills. Andrea Weston in the position of Customer Relationship Officer, Molly Cox and Kathy Kelly, both in the Customer Service role. The current program of training and development in banking skills for the staff will enable Tara to get out of the branch more, to meet with customers where and when it is convenient for them in order to drive new business. This well rounded and cohesive team share a passion for the community, willingness to grow the business wherever possible and have a sound knowledge of banking. They are all greatly appreciated by the Board. I also thank Tara for providing support services to the Board in the past. Part of this is now outsourced and we welcome the services of Leo Bruinier as bookkeeper. He has many years of experience in assisting Community Banks.

I thank my fellow Board members for their contributions and commitment to their obligations as a Director of a Public Company. Our volunteer Directors are generous with their time and skills enabling positive outcomes for the betterment of the Company and the Community. We farewelled Michael Palm and Tom Pearce as they retired from the Board this year. Michael has previously served on the Board and we thank them both for their dedication and passion for the Community Bank.

Chairman's report (continued)

I appreciate the ongoing support, assistance and banking expertise provided by Bendigo and Adelaide Bank Limited. I thank and acknowledge the efforts of Community Relationship Manager Renato Principe and Regional Manager Emma Newton for their expertise and dedication in assisting Branch staff and Directors during the year.

The collaboration with Rural Bank cannot be understated. They are a very important part of our business and future growth. Their products and services are well regarded in the Agribusiness community, and we appreciate all that Courtney Matthews and her team bring to the Company.

Finally, the continued support of customers and shareholders is greatly appreciated, and I look forward to a positive year ahead. I urge you all to refer as many of your family, friends, and colleagues as possible to our Community Bank. Remember the more that bank with us, the more we contribute to our community.

Shane McPherson
Chairman Penola & District Financial Services Limited

Manager's report

For year ending 30 June 2023

I started last year's report with the 2022 financial year having been a big year of development and growth within the Community Bank Penola & District branch of Bendigo and Adelaide Bank Limited. And well, the 2023 Financial Year was bigger and better again! Our goals were to reach the $275,000 mark of funds invested into the community, positive growth within the business, financially and within staff development – three out of four achieved!

We continued to focus on the mantra "to feed into our community's prosperity, not off of it" and in June 2023 celebrated reaching the milestone of $300,000 contributed to Penola and surrounding communities. To celebrate this, a $1,000 grant was offered, calling for community nominations. Over 10 nominations were received, with the winner being the Penola Football Club, to aid in the installation of an external defibrillator at McCorquindale Park. Whilst this project is being completed by the Penola Football Club, the facility will be available to the wide array of clubs, organisations and events which utilise the McCorquindale Park facilities.

For the 2023 financial year, the Community Bank Penola & District branch of Bendigo and Adelaide Bank Limited provided $34,036 to community groups by way of funding equipment purchases, donations, and sponsorship, thus feeding into our community's prosperity.

Our team has gone from strength to strength, with no staffing changes for the 2023 financial year, therefore continuing on with Andrea Weston, Customer Relationship Officer, as well as Molly Cox and Kathy Kelly, Customer Service Officers.

Our business partners have seen some changes, with Courtney Matthews taking on the role of Rural Bank Agribusiness Relationship Manager. I am also accredited to provide Rural Bank and Bendigo Bank Business products, so through our branch we can now offer the full range of business and agri-business products available.

It has been a pleasure to be able to attend many local events, of which we have been fortunate to support, and discuss the Bendigo and Adelaide Bank Limited story, in particular the Community Bank Penola & District branch story. Without the support of the local shareholders, customers, businesses and organisations, we couldn't serve the community as we do today.

Into 2024 we aim to continue to "feed into our community's prosperity, not off of it" and strengthen our intention on our community spend. We have strong individual and team goals to continue to build our brand and reputation across the community by developing ourselves and each other as a team. As well as provide a return to our shareholders, their committed support is extremely generous and on behalf of the community as a whole, we are extremely grateful, but to do this, we need to continue to grow the business. Your referrals to family and friends will ultimately aid us to provide you a return.

Personally, I am so grateful to work alongside a passionate and motivated team of staff and volunteer Directors, who are all committed to their roles and serving our community with great integrity and passion. I look forward to being a part of the future of the Community Bank in Penola.

Tara Batt B.Bus (AgMgt)
Branch Manager
Community Bank Penola & District

Bendigo and Adelaide Bank report

For year ending 30 June 2023

Community and customer will always be at the heart of what we do at Bendigo and Adelaide Bank.

Together, we're setting up Community Banking for the future – growing our impact as a leading social impact movement to transform communities across Australia.

As we continue to evolve to meet the needs of our customers, we should feel proud that more Australians are choosing to do their banking with us and trust us with their financial goals. Our position as Australia's most trusted bank (Roy Morgan) reflects the esteem we are held in by our customers, and communities.

This year has been particularly significant for us. After five years apart, we had the opportunity to come together in person and connect through our State Connect program and in Bendigo at our National Conference in September. It has also been a record-breaking year for Community Bank with more than $32 million invested into local communities nationwide. This is our highest year on record and underscores our ongoing commitment to our customers and communities.

Reflecting on the 25 years since we opened our first Community Bank, I'm so grateful to the hard work of many passionate Directors (past and present). Everything we have done and continue to do is focused on our purpose to feed into the prosperity of our customers and communities, not off it.

On behalf of the Bank, thank you for continuing to play an essential role in supporting your community. I look forward to seeing us grow together and make a positive impact for generations to come.

Justine Minne
Bendigo and Adelaide Bank

Community Bank National Council report

For year ending 30 June 2023

As a shareholder in your local Community Bank, you belong to an incredible social enterprise network that to date has reinvested more than $300 million in our local communities.

And now, as we celebrate our 25th anniversary milestone, we are evolving even further by sharpening our focus on our community enterprises – separate to the banking side of the business. We are uniting our Community Bank companies through a shared vision of being the most influential network of social enterprises in Australia. This means we'll have a bigger and better story to tell about how we collectively deliver impact.

Our future is together because of our extraordinary strength and aligned partnership with each other, and with our partner, Bendigo and Adelaide Bank. Our partnership with the Bank has been fashioned out of shared effort, risk and reward and it continues to serve us well.

And now even with the digital evolution upon us, the foundation of our future still relies on the guiding principles of the Community Bank model. We are community enterprises and the custodians of this incredible model that collaborates with local communities for social good. The objective of our Community Bank network remains the same. Our evolution will be evidenced by the channels that we use to connect with our customers and communities, digital by design and human where it matters.

The Community Bank network was a first mover in Australia with its unique social enterprise model. The first Community Bank opened its doors in 1998, and since then, the network has grown to 307 Community Bank branches. The network represents a diverse cross-section of Australia with 240 social enterprises, 70,000+ shareholders, 1600+ volunteer Directors, 1600+ staff and 905,000 customers located in metro, regional, rural and remote locations across the country.

The Community Bank network creates impact though grants, donations and sponsorships that connect with and care for generations of Australians. Network investment ranges from sport, scholarships and school programs, through to community groups, cultural organisations and local councils. We also facilitate and attract partnerships to help support much needed community projects.

The Community Bank National Council (CBNC) is the voice of the Community Bank network. The role of the CBNC is to advocate and influence on behalf of the 240 community enterprises with its partner. It has also been the role of the CBNC to oversee the development of the Community Network Strategy which exists to ensure the ongoing sustainability of this unique collective of social enterprises.

In September this year our Community Bank network celebrates 25 years. It's a tremendous milestone and one which we're hugely proud of achieving. We have never been stronger and we look forward to continuing to serve our shareholders, customers and communities as we embrace our exciting future.

Warm regards

Sarah Franklyn
CBNC Chair

Directors' report

30 June 2023

The directors present their report, together with the financial statements, on the company for the year ended 30 June 2023.

Directors
The following persons were directors of the company during the whole of the financial year and up to the date of this report, unless otherwise stated:

Name:	Shane McPherson
Title:	Chair
Experience and expertise:	Shane spent 10 years as a Butcher and Meat wholesaler. He then spent 32 years as owner operator of Penola IGA Supermarket and is now retired. He was an elected member of the State IGA Committee for 9 years. A member and Past President of the Lions Club of Penola and a member of the Penola Golf Club. Past member of the Penola Business Association, and past Chairman of Mary MacKillop Memorial School Board.
Special responsibilities:	Finance & Governance, Human Resources and Property Committees

Name:	Kirsty Anne Balnaves
Title:	Non-executive director
Experience and expertise:	Kirsty was born in Penola, after finishing her education she spent time in Broken Hill and then in Tasmania at Cradle Mountain. Returning to Adelaide, Kirsty attended university where she studied marketing and management. In 1990, Kirsty joined the family company and is currently responsible for the administration and financial aspects of: vineyard management and contracting, winery contracting and making and selling Balnaves wines. Kirsty is a current member of the South Australian Wine Industry Association Executive Committee, board member of the Penola and District Community Bank - Bendigo Bank and volunteer for Meals on Wheels. Kirsty was a member of the Coonawarra Vigneron's Association Executive for 15 years, including a period as Vice President, past member of the Lower South East Water Resources Committee, past committee member of the Penola and District Little Athletics and Penola Netball Club, and Penola and District Medical Support Group.
Special responsibilities:	Community Investment and Property Committees

Name:	Sophie Jane Angus
Title:	Non-executive director
Experience and expertise:	Sophie has held various positions in the banking and finance sector and legal roles in Sydney and Adelaide including Senior Legal Council at Commonwealth Bank of Australia, Subject Matter Expert at AMP and Consultant at Piper Alderman. She currently remains a part-owner of a number of medical and health related businesses. She has also volunteered her time on community not-for-profits boards including the governing council of the Penola Primary School and Penola Coonawarra Arts Festival.
Special responsibilities:	Company Secretary, Finance & Governance Committee

Name:	Mark Edwards
Title:	Non-executive director
Experience and expertise:	Wide ranging Banking and Credit Cooperative experience over 40+ years. Former Independent Chair of Coonawarra Grape and Wine Inc. Former Director and Treasurer of Regional Development Australia Limestone Coast. Current President of Penola Racing Club Inc.
Special responsibilities:	Deputy Chair, Finance & Governance Committee (Alternate) and Community Investment Committee

Name:	Lachlan Hamilton Heysen
Title:	Non-executive director
Experience and expertise:	Lachlan was born in Kalangadoo and completed Secondary and Tertiary (BEcon and BFin) education in Adelaide. Lachlan spent 4 years working in Private Wealth Management in Adelaide followed by 10 years in London and Sydney in Institutional Banking within the commodities and metals and mining sector. Lachlan is currently a farmer.
Special responsibilities:	Treasurer, Finance & Governance Committee

Name:	Amanda Skene Harrold
Title:	Non-executive director
Experience and expertise:	Amanda Harrold holds a Bach. of Commerce (Marketing & Management) and a Post Graduate Certificate in Human Resource Management. In 2015, Amanda, with husband Pat, established a bulk haulage transport company based in Penola, SA which now runs over 40 B-Double trucks nationally. Prior to moving to South Australia, Amanda held Corporate HR and Learning & Development positions with Mazda, NAB, ANZ, and professional services firm, GHD Global Pty Ltd. At GHD, Amanda was the Learning & Development Manager for the Middle East based in Doha, Qatar before moving into a Corporate HR project management role traveling extensively to SE Asia and North America.
Special responsibilities:	Human Resources Committee

Name:	Anna Copping
Title:	Non-executive director
Experience and expertise:	Current principal of Mulga Street Primary School. Previously held teaching, coordinator and curriculum facilitator roles. Recently completed a Masters of Education and was a participant in the Harvard School of education-Leadership for School Excellence course. Active involvement in Penola Coonawarra Arts Festival and Penola Netball Club.
Special responsibilities:	Human Resources and Community Investment Committees

Name:	Thomas David Pearce
Title:	Non-executive director (resigned 27 January 2023)
Experience and expertise:	Managed drilling rigs and drilling operations in Australia and Africa for 8 years before completing a Bachelor of Business (Property) and a Diploma in Agency Management. Practiced as a valuer specialising in residential and rural valuations and now working as a rural real estate agent. A current board member of the Mary Mackillop Memorial School Board.
Special responsibilities:	Business Development Committee

Name:	Michael John Palm
Title:	Non-executive director (resigned 29 June 2023)
Experience and expertise:	Michael is a past Livestock agent with 38 years experience. He was a Director at Pinkerton Palm Hamlyn & Steen Livestock for a period of 26 years and has now been a farmer since 2018. He also holds a position on the Penola Racing Club Committee.
Special responsibilities:	Business Development Committee

Company secretary
The company secretary is Sophie Jane Angus. Sophie was appointed to the position of company secretary on 4 November 2020.

Principal activity
The principal activity of the company during the financial year was facilitating Community Bank services under management rights of Bendigo and Adelaide Bank Limited (Bendigo Bank).

There have been no significant changes in the nature of this activity during the financial year.

Review of operations
The profit for the company after providing for income tax amounted to $83,888 (30 June 2022: $21,350).

The company has seen a significant increase in its revenue during the financial year. This is a result of the Reserve Bank of Australia (RBA) increasing the cash rate by 3.25% during the financial year moving from 0.85% to 4.10% as at 30 June 2023. The increased cash rate has had a direct impact on the revenue received by the company, increasing the net interest margin income received under the revenue share arrangement the company has with Bendigo Bank.

Dividends
No dividends were declared or paid in the current financial year.

Significant changes in the state of affairs
There were no significant changes in the state of affairs of the company during the financial year.

Matters subsequent to the end of the financial year
No matter or circumstance has arisen since 30 June 2023 that has significantly affected, or may significantly affect the company's operations, the results of those operations, or the company's state of affairs in future financial years.

Likely developments
The company will continue its policy of facilitating banking services to the community.

Environmental regulation
The company is not subject to any significant environmental regulation under Australian Commonwealth or State law.

Meetings of directors
The number of meetings of the company's board of Directors ('the board') and of each board committee held during the year ended 30 June 2023, and the number of meetings attended by each director were:

	Board		Finance & Governance Committee		Community Investment Committee	
	Eligible	Attended	Eligible	Attended	Eligible	Attended
Shane McPherson	13	13	10	6	4	4
Kirsty Anne Balnaves	13	11	-	-	9	8
Sophie Jane Angus	13	10	10	8	-	-
Mark Edwards	13	12	3	2	5	2
Lachlan Hamilton Heysen	13	11	10	8	-	-
Amanda Skene Harrold	13	9	-	-	-	-
Anna Copping	13	4	-	-	5	4
Thomas David Pearce	7	-	-	-	-	-
Michael John Palm	12	2	-	-	-	-

	Business Development Committee		Human Resources Committee		Property Committee	
	Eligible	Attended	Eligible	Attended	Eligible	Attended
Shane McPherson	-	-	5	3	1	1
Kirsty Anne Balnaves	-	-	-	-	1	1
Sophie Jane Angus	-	-	-	-	-	-
Mark Edwards	-	-	3	2	-	-
Lachlan Hamilton Heysen	-	-	-	-	-	-
Amanda Skene Harrold	-	-	8	7	-	-
Anna Copping	-	-	8	7	-	-
Thomas David Pearce	1	1	-	-	-	-
Michael John Palm	1	1	-	-	-	-

Directors' benefits
No director has received or become entitled to receive, during or since the financial year, a benefit because of a contract made by the company, controlled entity or related body corporate with a director, a firm which a director is a member or an entity in which a director has a substantial financial interest except as disclosed in note 23 to the financial statements. This statement excludes a benefit included in the aggregate amount of emoluments received or due and receivable by directors shown in the company's accounts, or the fixed salary of a full-time employee of the company, controlled entity or related body corporate.

Directors' interests
The interest in company shareholdings for each director are:

	Balance at the start of the year	Changes	Balance at the end of the year
Shane McPherson	4,001	-	4,001
Kirsty Anne Balnaves	42,001	-	42,001
Sophie Jane Angus	-	-	-
Mark Edwards	10,501	-	10,501
Lachlan Hamilton Heysen	-	-	-
Amanda Skene Harrold	-	-	-
Anna Copping	-	-	-
Thomas David Pearce	-	-	-
Michael John Palm	81,001	-	81,001

Indemnity and insurance of directors and officers
The company has indemnified all directors and the manager in respect of liabilities to other persons (other than the company or related body corporate) that may arise from their position as directors or manager of the company except where the liability arises out of conduct involving the lack of good faith.

Disclosure of the nature of the liability and the amount of the premium is prohibited by the confidentiality clause of the contract of insurance.

Proceedings on behalf of the company
No person has applied to the Court under section 237 of the *Corporations Act 2001* for leave to bring proceedings on behalf of the company, or to intervene in any proceedings to which the company is a party for the purpose of taking responsibility on behalf of the company for all or part of those proceedings.

No proceedings have been brought or intervened in on behalf of the company with leave of the Court under section 237 of the *Corporations Act 2001*.

Indemnity and insurance of auditor
The company has not, during or since the end of the financial year, indemnified or agreed to indemnify the auditor of the company or any related entity against a liability incurred by the auditor.

During the financial year, the company has not paid a premium in respect of a contract to insure the auditor of the company or any related entity.

Non-audit services
The company may decide to employ the auditor on assignments additional to their statutory duties where the auditor's expertise and experience with the company are important. Details of the amounts paid or payable to the auditor (Andrew Frewin Stewart) for audit and non-audit services provided during the year are set out in note 24 to the accounts.

The board has considered the non-audit services provided during the year by the auditor and is satisfied that the provision of the non-audit services is compatible with, and did not compromise, the auditor independence requirements of the *Corporations Act 2001* for the following reasons:

- all non-audit services have been reviewed by the board to ensure they do not impact on the impartiality, integrity and objectivity of the auditor
- the non-audit services provided do not undermine the general principles relating to auditor independence as set out in *APES 110 Code of Ethics for Professional Accountants*, as they did not involve reviewing or auditing the auditor's own work, acting in a management or decision making capacity for the company, acting as an advocate for the company or jointly sharing risks and rewards.

Auditor's independence declaration
A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out immediately after this directors' report.

This report is made in accordance with a resolution of directors, pursuant to section 298(2)(a) of the *Corporations Act 2001*.

On behalf of the directors

Shane McPherson
Chair

31 August 2023

Auditor's independence declaration

Andrew Frewin Stewart
61 Bull Street Bendigo VIC 3550
ABN: 65 684 604 390
afs@afsbendigo.com.au
(03) 5443 0344

Independent auditor's independence declaration under section 307C of the *Corporations Act 2001* to the Directors of Penola & District Financial Services Limited

As lead auditor for the audit of Penola & District Financial Services Limited for the year ended 30 June 2023, I declare that, to the best of my knowledge and belief, there have been:

i) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and
ii) no contraventions of any applicable code of professional conduct in relation to the audit.

Andrew Frewin Stewart
61 Bull Street, Bendigo, Vic, 3550
Dated: 31 August 2023

Joshua Griffin
Lead Auditor

afsbendigo.com.au

Financial statements

Penola & District Financial Services Limited
Statement of profit or loss and other comprehensive income
For the year ended 30 June 2023

	Note	2023 $	2022 $
Revenue from contracts with customers	6	456,680	319,677
Other revenue	7	32,500	37,968
Total revenue		489,180	357,645
Employee benefits expense	8	(195,161)	(158,836)
Advertising and marketing costs		(7,002)	(4,486)
Occupancy and associated costs		(14,512)	(7,862)
System costs		(15,501)	(15,868)
Depreciation and amortisation expense	8	(44,435)	(44,068)
Finance costs	8	(11,835)	(12,935)
General administration expenses		(54,819)	(51,182)
Total expenses before community contributions and income tax expense		(343,265)	(295,237)
Profit before community contributions and income tax expense		145,915	62,408
Charitable donations and sponsorships expense		(34,036)	(33,941)
Profit before income tax expense		111,879	28,467
Income tax expense	9	(27,991)	(7,117)
Profit after income tax expense for the year	19	83,888	21,350
Other comprehensive income for the year, net of tax		-	-
Total comprehensive income for the year		83,888	21,350
		Cents	**Cents**
Basic earnings per share	26	9.97	2.54
Diluted earnings per share	26	9.97	2.54

The above statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes

Penola & District Financial Services Limited
Statement of financial position
As at 30 June 2023

	Note	2023 $	2022 $
Assets			
Current assets			
Cash and cash equivalents	10	151,754	31,459
Trade and other receivables	11	33,614	21,187
Total current assets		185,368	52,646
Non-current assets			
Property, plant and equipment	12	118,525	132,049
Right-of-use assets	13	171,986	185,149
Intangible assets	14	13,183	26,367
Deferred tax assets	9	138,809	166,800
Total non-current assets		442,503	510,365
Total assets		627,871	563,011
Liabilities			
Current liabilities			
Trade and other payables	15	25,260	40,244
Lease liabilities	16	13,359	12,047
Employee benefits	17	9,130	6,835
Total current liabilities		47,749	59,126
Non-current liabilities			
Lease liabilities	16	224,965	238,325
Employee benefits	17	3,915	663
Make good provision		4,154	1,697
Total non-current liabilities		233,034	240,685
Total liabilities		280,783	299,811
Net assets		347,088	263,200
Equity			
Issued capital	18	829,469	829,469
Accumulated losses	19	(482,381)	(566,269)
Total equity		347,088	263,200

The above statement of financial position should be read in conjunction with the accompanying notes

Penola & District Financial Services Limited
Statement of changes in equity
For the year ended 30 June 2023

	Issued capital $	Accumulated losses $	Total equity $
Balance at 1 July 2021	829,469	(587,619)	241,850
Profit after income tax expense	-	21,350	21,350
Other comprehensive income, net of tax	-	-	-
Total comprehensive income	-	21,350	21,350
Balance at 30 June 2022	829,469	(566,269)	263,200

	Issued capital $	Accumulated losses $	Total equity $
Balance at 1 July 2022	829,469	(566,269)	263,200
Profit after income tax expense	-	83,888	83,888
Other comprehensive income, net of tax	-	-	-
Total comprehensive income	-	83,888	83,888
Balance at 30 June 2023	829,469	(482,381)	347,088

The above statement of changes in equity should be read in conjunction with the accompanying notes

Penola & District Financial Services Limited
Statement of cash flows
For the year ended 30 June 2023

	Note	2023 $	2022 $
Cash flows from operating activities			
Receipts from customers (inclusive of GST)		523,724	392,197
Payments to suppliers and employees (inclusive of GST)		(364,255)	(320,468)
Interest and other finance costs paid		(20)	(580)
Net cash provided by operating activities	25	159,449	71,149
Cash flows from investing activities			
Payments for property, plant and equipment		(2,190)	-
Payments for intangible assets		(13,184)	(13,184)
Net cash used in investing activities		(15,374)	(13,184)
Cash flows from financing activities			
Repayment of lease liabilities	16	(23,780)	(23,079)
Net cash used in financing activities		(23,780)	(23,079)
Net increase in cash and cash equivalents		120,295	34,886
Cash and cash equivalents at the beginning of the financial year		31,459	(3,427)
Cash and cash equivalents at the end of the financial year	10	151,754	31,459

The above statement of cash flows should be read in conjunction with the accompanying notes

Notes to the financial statements

30 June 2023

Note 1. Reporting entity

The financial statements cover Penola & District Financial Services Limited (the company) as an individual entity, which is a for-profit entity for financial reporting purposes under Australian Accounting Standards.

The company is an unlisted public company limited by shares, incorporated and domiciled in Australia. Its registered office and principal place of business is 52 Church Street, Penola SA 5277.

A description of the nature of the company's operations and its principal activity is included in the directors' report, which is not part of the financial statements.

Note 2. Basis of preparation and statement of compliance

The financial statements are general purpose financial statements which have been prepared in accordance with Australian Accounting Standards and Interpretations adopted by the Australian Accounting Standards Board (AASB) and the *Corporations Act 2001*. The financial statements comply with International Financial Reporting Standards (IFRS) adopted by the International Accounting Standards Board (IASB). The financial statements have been prepared on an accrual and historical cost basis and are presented in Australian dollars, which is the company's functional and presentation currency.

The financial statements were authorised for issue, in accordance with a resolution of directors, on 31 August 2023. The directors have the power to amend and reissue the financial statements.

Note 3. Significant accounting policies

The company has consistently applied the following accounting policies to all periods presented in these financial statements.

Changes in accounting policies, standards and interpretations
There are a number of amendments to accounting standards issued by the AASB that became mandatorily effective for accounting periods beginning on or after 1 July 2022, and are therefore relevant for the current financial year. The amendments did not have any impact on the amounts recognised in prior periods and are not expected to significantly affect the current or future periods.

Current and non-current classification
Assets and liabilities are presented in the statement of financial position based on current and non-current classification.

An asset is classified as current when, it is expected to be realised or intended to be sold or consumed in the company's normal operating cycle, it is held primarily for the purpose of trading, it is expected to be realised within 12 months after the reporting period or the asset is cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period. All other assets are classified as non-current.

A liability is classified as current when, it is either expected to be settled in the company's normal operating cycle, it is held primarily for the purpose of trading, it is due to be settled within 12 months after the reporting period or there is no unconditional right to defer the settlement of the liability for at least 12 months after the reporting period. All other liabilities are classified as non-current.

Deferred tax assets and liabilities are always classified as non-current.

Impairment
Non-derivative financial assets
Expected credit losses (ECL) are the probability-weighted estimate of credit losses over the expected life of a financial instrument. A credit loss is the difference between all contractual cash flows that are due and all cash flows expected to be received. At each reporting date, the entity recognises the movement in the ECL (if any) as an impairment gain or loss in the statement of profit or loss and other comprehensive income.

Note 3. Significant accounting policies (continued)

The company's trade receivables are limited to the monthly profit share distribution from Bendigo Bank, which is received 10 business days post month end. Due to the reliance on Bendigo Bank the company has reviewed credit ratings provided by Standard & Poors, Moody's and Fitch Ratings to determine the level of credit exposure to the company. The company also performed a historical assessment of receivables from Bendigo Bank and found no instances of default. As a result no ECL has been made in relation to trade receivables as at 30 June 2023.

Non-financial assets
At each reporting date, the company reviews the carrying amounts of its tangible assets and intangible assets to determine whether there is any indication those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of any impairment loss.

If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised in profit or loss immediately.

Goods and Services Tax (GST)
Revenues, expenses and assets are recognised net of the amount of GST, except when the amount of GST incurred on a sale or purchase of assets or services is not payable to or recoverable from the taxation authority. In these circumstances, the GST is recognised as part of the cost of acquisition of the asset or as part of the revenue or expense item.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position. Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the taxation authority.

Cash flows are included in the statement of cash flows on a gross basis and the GST component of cash flows arising from investing and financing activities, which are recoverable from, or payable to, the taxation authority is classified as part of operating cash flows.

Note 4. Critical accounting judgements, estimates and assumptions

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts in the financial statements. Management continually evaluates its judgements and estimates in relation to assets, liabilities, contingent liabilities, revenue and expenses. Management bases its judgements, estimates and assumptions on historical experience and on other various factors, including expectations of future events that it believes to be reasonable under the circumstances. Differences between the accounting judgements and estimates and actual results and outcomes are accounted for in future reporting periods. The judgements, estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities (refer to the respective notes) within the next financial year are discussed below.

Estimation of useful lives of assets
The company determines the estimated useful lives and related depreciation and amortisation charges for its property, plant and equipment and finite life intangible assets. The useful lives could change significantly as a result of technical innovations or some other event. The depreciation and amortisation charge will increase where the useful lives are less than previously estimated lives or assets that have been abandoned or sold will be written off or written down.

Impairment of non-financial assets
The company assesses impairment of non-financial assets at each reporting date by evaluating conditions specific to the company and to the particular asset that may lead to impairment. If an impairment trigger exists, the recoverable amount of the asset is determined as the higher of its fair value less costs of disposal or value-in-use, each of which incorporate a number of key estimates and assumptions

Recovery of deferred tax assets
Deferred tax assets are recognised for deductible temporary differences only if the company considers it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Note 4. Critical accounting judgements, estimates and assumptions (continued)

Lease term
The lease term is a significant component in the measurement of both the right-of-use asset and lease liability. Judgement is exercised in determining whether there is reasonable certainty that an option to extend the lease will be exercised, or an option to terminate the lease will not be exercised, when ascertaining the periods to be included in the lease term. In determining the lease term, all facts and circumstances that create an economical incentive to exercise an extension option, or not to exercise a termination option, are considered at the lease commencement date. Factors considered may include the importance of the asset to the company's operations, comparison of terms and conditions to prevailing market rates, incurrence of significant penalties, existence of significant leasehold improvements and the costs and disruption to replace the asset. The company reassesses whether it is reasonably certain to exercise an extension option, or not exercise a termination option, if there is a significant event or significant change in circumstances.

Incremental borrowing rate
Where the interest rate implicit in a lease cannot be readily determined, an incremental borrowing rate is estimated to discount future lease payments to measure the present value of the lease liability at the lease commencement date. Such a rate is based on what the company estimates it would have to pay a third party to borrow the funds necessary to obtain an asset of a similar value to the right-of-use asset, with similar terms, security and economic environment.

Employee benefits provision
The liability for employee benefits expected to be settled more than 12 months from the reporting date are recognised and measured at the present value of the estimated future cash flows to be made in respect of all employees at the reporting date. In determining the present value of the liability, estimates of attrition rates and inflation have been taken into account.

The company uses historical employee attrition rates in determining the probability of an employee, at a given date, achieving continuous employment eligible for entitlement in accordance with long service leave legislation.

In the absence of sufficient historical employee attrition rates, the company applies a benchmark probability rate from across the Community Bank network to factor in estimating the probability of an employee, at a given date, achieving continuous employment eligible for entitlement in accordance with legislation.

Lease make good provision
A provision has been made for the present value of anticipated costs for future restoration of leased premises. The provision includes future cost estimates associated with closure of the premises. The calculation of this provision requires assumptions such as application of closure dates and cost estimates. The provision recognised for each site is periodically reviewed and updated based on the facts and circumstances available at the time. Changes to the estimated future costs for sites are recognised in the statement of financial position by adjusting the asset and the provision. Reductions in the provision that exceed the carrying amount of the asset will be recognised in profit or loss.

Note 5. Economic dependency

The company has entered into a franchise agreement with Bendigo Bank that governs the management of the Community Bank. The company is economically dependent on the ongoing receipt of income under the franchise agreement with Bendigo Bank. The directors have no reason to believe a new franchise arrangement under mutually acceptable terms will not be forthcoming following expiry in June 2024.

The company operates as a franchise of Bendigo Bank, using the name “Bendigo Bank” and the logo and system of operations of Bendigo Bank. The company manages the Community Bank on behalf of Bendigo Bank, however all transactions with customers conducted through the Community Bank are effectively conducted between the customers and Bendigo Bank.

All deposits are made with Bendigo Bank, and all personal and investment products are products of Bendigo Bank, with the company facilitating the provision of those products. All loans, leases or hire purchase transactions, issues of new credit or debit cards, temporary or bridging finance and any other transaction that involves creating a new debt, or increasing or changing the terms of an existing debt owed to Bendigo Bank, must be approved by Bendigo Bank. All credit transactions are made with Bendigo Bank, and all credit products are products of Bendigo Bank.

The company promotes and sells the products and services, but is not a party to the transaction.

Note 5. Economic dependency (continued)

The credit risk (i.e. the risk that a customer will not make repayments) is for Bendigo Bank to bear as long as the company has complied with the appropriate procedures and relevant obligations and has not exercised a discretion in granting or extending credit.

Bendigo Bank provides significant assistance in establishing and maintaining the Community Bank franchise operations. It also continues to provide ongoing management and operational support and other assistance and guidance in relation to all aspects of the franchise operation, including advice and assistance in relation to:
- the design, layout and fit out of the Community Bank premises
- training for the branch manager and other employees in banking, management systems and interface protocol
- methods and procedures for the sale of products and provision of services
- security and cash logistic controls
- calculation of company revenue and payment of many operating and administrative expenses
- the formulation and implementation of advertising and promotional programs
- sales techniques and proper customer relations
- providing payroll services.

Note 6. Revenue from contracts with customers

	2023 $	2022 $
Margin income	293,124	126,345
Fee income	17,436	15,961
Commission income	146,120	177,371
	456,680	319,677

The company has entered into a franchise agreement with Bendigo Bank. The company delivers banking and financial services of Bendigo Bank to its community. The franchise agreement provides for a share of interest, fee, and commission revenue earned by the company. Interest margin share is based on a funds transfer pricing methodology which recognises that income is derived from deposits held, and that loans granted incur a funding cost. Fees are based on the company's current fee schedule and commissions are based on the agreements in place. All margin revenue is recorded as non-interest income when the company's right to receive the payment is established.

The company acts as an agent under the franchise agreement and revenue arises from the rendering of services through its franchise agreement.

Revenue is recognised on an accruals basis, at the fair value of consideration specified in the franchise agreement. Under *AASB 15 Revenue from Contracts with Customers* (AASB 15), revenue recognition for the company's revenue stream is as follows:

Revenue stream	Includes	Performance obligation	Timing of recognition
Franchise agreement profit share	Margin, commission, and fee income	When the company satisfies its obligation to arrange for the services to be provided to the customer by the supplier (Bendigo Bank as franchisor).	On completion of the provision of the relevant service. Revenue is accrued monthly and paid within 10 business days after the end of each month.

All revenue is stated net of the amount of GST. There was no revenue from contracts with customers recognised over time during the financial year.

Revenue calculation
The franchise agreement provides that three forms of revenue may be earned by the company which are margin, commission and fee income. Bendigo Bank decides the form of revenue the company earns on different types of products and services. The revenue earned by the company is dependent on the business that it generates, interest rates and funds transfer pricing and other factors, such as economic and local conditions.

Note 6. Revenue from contracts with customers (continued)

Margin income
Margin on core banking products is arrived at through the following calculation:

	Interest paid by customers on loans less interest paid to customers on deposits
plus:	any deposit returns i.e. interest return applied by Bendigo Bank for a deposit
minus:	any costs of funds i.e. interest applied by Bendigo Bank to fund a loan.

The company is entitled to a share of the margin earned by Bendigo Bank. If this reflects a loss, the company incurs a share of that loss.

Commission income
Commission income is in the form of commission generated for products and services sold. This commission is recognised at a point in time which reflects when the company has fulfilled its performance obligation.

The company receives trailing commission for products and services sold. Ongoing trailing commission payments are recognised on receipt as there is insufficient detail readily available to estimate the most likely amount of income without a high probability of significant reversal in a subsequent reporting period. The receipt of ongoing trailing commission income is outside the control of the company, and is a significant judgement area.

Fee income
Fee income is a share of what is commonly referred to as 'bank fees and charges' charged to customers by Bendigo Bank including fees for loan applications and account transactions.

Core banking products
Bendigo Bank has identified some products and services as 'core banking products'. It may change the products and services which are identified as core banking products by giving the company at least 30 days notice. Core banking products currently include Bendigo Bank branded home loans, term deposits and at call deposits.

Ability to change financial return
Under the franchise agreement, Bendigo Bank may change the form and amount of financial return the company receives. The reasons it may make a change include changes in industry or economic conditions or changes in the way Bendigo Bank earns revenue.

The change may be to the method of calculation of margin, the amount of margin, commission and fee income or a change of a margin to a commission or vice versa. This may affect the amount of revenue the company receives on a particular product or service.

Bendigo Bank must not reduce the margin and commission the company receives on core banking products and services to less than 50% (on an aggregate basis) of Bendigo Bank’s margin at that time. For other products and services, there is no restriction on the change Bendigo Bank may make.

Note 7. Other revenue

	2023 $	**2022 $**
Market development fund	32,500	37,500
Other income	-	468
Other revenue	32,500	37,968

The company's activities include the generation of income from sources other than the core products under the franchise agreement. Revenue is recognised to the extent that it is probable that the economic benefits will flow to the company and can be reliably measured.

Note 7. Other revenue (continued)

Revenue stream	Revenue recognition policy
Discretionary financial contributions (also "Market development fund" or "MDF" income)	MDF income is recognised when the right to receive the payment is established. MDF income is discretionary and provided and receivable at month-end and paid within 14 days after month-end.
Other income	All other revenues that did not contain contracts with customers are recognised as goods and services are provided.

All revenue is stated net of the amount of GST.

Discretionary financial contributions
In addition to margin, commission and fee income, and separate from the franchise agreement, Bendigo Bank has also made MDF payments to the company.

The amount has been based on the volume of business attributed to a branch. The purpose of the discretionary payments is to assist with local market development activities, including community sponsorships and grants. It is for the board to decide how to use the MDF.

The payments from Bendigo Bank are discretionary and may change the amount or stop making them at any time. The company retains control over the funds, the funds are not refundable to Bendigo Bank.

Note 8. Expenses

Employee benefits expense

	2023 $	2022 $
Wages and salaries	164,317	143,771
Superannuation contributions	16,958	13,772
Expenses related to long service leave	3,252	(5,882)
Other expenses	10,634	7,175
	195,161	158,836

Depreciation and amortisation expense

	2023 $	2022 $
Depreciation of non-current assets		
Leasehold improvements	14,246	14,244
Plant and equipment	1,468	1,103
	15,714	15,347
Depreciation of right-of-use assets		
Leased land and buildings	15,537	15,537
Amortisation of intangible assets		
Franchise fee	2,196	2,198
Franchise renewal fee	10,988	10,986
	13,184	13,184
	44,435	44,068

Note 8. Expenses (continued)

Finance costs

	2023 $	2022 $
Bank overdraft interest paid or accrued	20	580
Lease interest expense	11,732	12,276
Unwinding of make-good provision	83	79
	11,835	12,935

Finance costs are recognised as expenses when incurred using the effective interest rate.

Leases recognition exemption

	2023 $	2022 $
Expenses relating to low-value leases	4,829	5,945

The company pays for the right to use information technology equipment. The underlying assets have been assessed as low value and exempted from recognition under *AASB 16 Leases*. Expenses relating to low-value exempt leases are included in system costs expenses.

Note 9. Income tax

	2023 $	2022 $
Income tax expense		
Movement in deferred tax	(5,264)	(2,318)
Recoupment of prior year tax losses	33,255	9,435
Aggregate income tax expense	27,991	7,117
Prima facie income tax reconciliation		
Profit before income tax expense	111,879	28,467
Tax at the statutory tax rate of 25%	27,970	7,117
Tax effect of:		
Non-deductible expenses	21	-
Income tax expense	27,991	7,117

	2023 $	2022 $
Deferred tax assets/(liabilities)		
Employee benefits	3,261	1,875
Provision for lease make good	1,039	424
Accrued expenses	1,000	449
Lease liabilities	59,581	62,593
Right-of-use assets	(42,997)	(46,287)
Carried-forward tax losses	117,205	150,460
Property, plant and equipment	(280)	(2,714)
Deferred tax asset	138,809	166,800

Note 9. Income tax (continued)

Accounting policy for income tax
The income tax expense or benefit for the period is the tax payable on that period's taxable income based on the applicable income tax rate adjusted by the changes in deferred tax assets and liabilities attributable to temporary differences, unused tax losses and the adjustment recognised for prior periods, where applicable.

Accounting policy for current tax
Current tax assets and liabilities are measured at amounts expected to be recovered from or paid to the taxation authorities. It is calculated using tax rates and tax laws that have been enacted or substantively enacted by the reporting date.

Accounting policy for deferred tax
Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

Deferred tax assets are recognised for all deductible temporary differences, carried-forward tax losses, and unused tax credits to the extent that it is probable that future taxable profits will be available against which they can be used.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised.

Deferred tax is measured at the rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted or substantively enacted at the reporting date, and reflects uncertainty related to income taxes, if any.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax and when the balances relate to taxes levied by the same taxation authority and the entity intends to settle its tax assets and liabilities on a net basis.

Note 10. Cash and cash equivalents

	2023 $	2022 $
Cash at bank and on hand	151,754	31,459

Accounting policy for cash and cash equivalents
For the purposes of the Statement of Financial Position and Statement of Cash Flows, cash and cash equivalents comprise cash on hand and deposits held with banks.

Note 11. Trade and other receivables

	2023 $	2022 $
Trade receivables	30,041	14,730
Prepayments	3,573	6,457
	33,614	21,187

Accounting policy for trade and other receivables
Trade receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less any allowance for expected credit losses. Trade receivables are generally due for settlement within 30 days.

Note 12. Property, plant and equipment

	2023 $	2022 $
Leasehold improvements - at cost	227,824	227,824
Less: Accumulated depreciation	(117,579)	(103,333)
	110,245	124,491
Plant and equipment - at cost	34,908	32,718
Less: Accumulated depreciation	(26,628)	(25,160)
	8,280	7,558
	118,525	132,049

Reconciliations of the carrying values at the beginning and end of the current and previous financial year are set out below:

	Leasehold improvements $	Plant and equipment $	Total $
Balance at 1 July 2021	138,735	8,661	147,396
Depreciation	(14,244)	(1,103)	(15,347)
Balance at 30 June 2022	124,491	7,558	132,049
Additions	-	2,190	2,190
Depreciation	(14,246)	(1,468)	(15,714)
Balance at 30 June 2023	110,245	8,280	118,525

Accounting policy for property, plant and equipment
Items of property, plant and equipment are measured at cost or fair value as applicable, less accumulated depreciation. Any gain or loss on disposal of an item of property, plant and equipment is recognised in profit or loss.

Plant and equipment is stated at historical cost less accumulated depreciation and impairment. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Depreciation is calculated on a straight-line basis to write off the net cost of each item of property, plant and equipment over their expected useful lives as follows:

Leasehold Improvments	6 to 16 years
Plant and equipment	1 to 40 years

The residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each reporting date.

Leasehold improvements are depreciated over the unexpired period of the lease or the estimated useful life of the assets.

An item of property, plant and equipment is derecognised upon disposal or when there is no future economic benefit to the company. Gains and losses between the carrying amount and the disposal proceeds are taken to profit or loss.

Changes in estimates
During the financial year, the company assessed estimates used for property, plant and equipment including useful lives, residual values, and depreciation methods. There were no changes in estimates for the current reporting period.

Note 13. Right-of-use assets

	2023 $	2022 $
Land and buildings - right-of-use	312,406	310,032
Less: Accumulated depreciation	(140,420)	(124,883)
	171,986	185,149

Reconciliations of the carrying values at the beginning and end of the current and previous financial year are set out below:

	Land and buildings $
Balance at 1 July 2021	200,686
Depreciation expense	(15,537)
Balance at 30 June 2022	185,149
Remeasurement adjustments	2,374
Depreciation expense	(15,537)
Balance at 30 June 2023	171,986

Accounting policy for right-of-use assets
A right-of-use asset is recognised at the commencement date of a lease. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

Right-of-use assets are depreciated on a straight-line basis over the unexpired period of the lease or the estimated useful life of the asset, whichever is the shorter. Right-of-use assets are subject to impairment or adjusted for any remeasurement of lease liabilities.

Refer to note 16 for more information on lease arrangements.

Note 14. Intangible assets

	2023 $	2022 $
Franchise fee	20,987	20,987
Less: Accumulated amortisation	(18,790)	(16,593)
	2,197	4,394
Franchise renewal fee	54,932	54,932
Less: Accumulated amortisation	(43,946)	(32,959)
	10,986	21,973
	13,183	26,367

Note 14. Intangible assets (continued)

Reconciliations of the carrying values at the beginning and end of the current and previous financial year are set out below:

	Franchise fee $	Franchise Renewal Fee $	Total $
Balance at 1 July 2021	6,591	32,960	39,551
Amortisation expense	(2,198)	(10,986)	(13,184)
Balance at 30 June 2022	4,393	21,974	26,367
Amortisation expense	(2,196)	(10,988)	(13,184)
Balance at 30 June 2023	2,197	10,986	13,183

Accounting policy for intangible assets
Intangible assets of the company relate to the franchise fees paid to Bendigo Bank which conveys the right to operate the Community Bank franchise.

Intangible assets are measured on initial recognition at cost. Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates.

The franchise fees paid by the company are amortised over their useful life and assessed for impairment whenever impairment indicators are present.

The estimated useful life and amortisation method for the current and comparative periods are as follows:

Asset class	Method	Useful life	Expiry/renewal date
Franchise fee	Straight-line	Over the franchise term (5 years)	June 2024
Franchise renewal fee	Straight-line	Over the franchise term (5 years)	June 2024

Amortisation methods, useful life, and residual values are reviewed and adjusted, if appropriate, at each reporting date.

Change in estimates
During the financial year, the company assessed estimates used for intangible assets including useful lives, residual values, and amortisation methods. There were no changes in estimates for the current reporting period.

Note 15. Trade and other payables

	2023 $	**2022 $**
Current liabilities		
Trade payables	14,290	2,500
Other payables and accruals	10,970	37,744
	25,260	40,244

Accounting policy for trade and other payables
These amounts represent liabilities for goods and services provided to the company prior to the end of the financial year and which are unpaid. Due to their short-term nature they are measured at amortised cost and are not discounted. The amounts are unsecured and are usually paid within 30 days of recognition.

Where the company is liable to settle the amount within 12 months of the reporting date, the liability is classified as current. All other obligations are classified as non-current.

Note 16. Lease liabilities

	2023 $	2022 $
Current liabilities		
Land and buildings lease liabilities	24,486	23,779
Unexpired interest	(11,127)	(11,732)
	13,359	12,047
Non-current liabilities		
Land and buildings lease liabilities	286,313	310,799
Unexpired interest	(61,348)	(72,474)
	224,965	238,325

Reconciliation of lease liabilities

	2023 $	2022 $
Opening balance	250,372	261,175
Lease interest expense	11,732	12,276
Lease payments - total cash outflow	(23,780)	(23,079)
	238,324	250,372

Maturity analysis

	2023 $	2022 $
Not later than 12 months	24,486	23,779
Between 12 months and 5 years	105,515	102,442
Greater than 5 years	180,798	208,357
	310,799	334,578

Accounting policy for lease liabilities
Lease liabilities were measured at amounts equal to the present value of enforceable future payments of the term reasonably expected to be exercised, discounted at the appropriate incremental borrowing rate.

Lease payments included in the measurement of the lease liability comprise fixed lease payments and lease payments in a renewal option if the company is reasonably certain to exercise that option. For leases of property the company has elected not to separate lease and non-lease components when calculating the lease liability.

The company has applied judgement in estimating the remaining lease term including the effects of any extension options reasonably expected to be exercised, applying hindsight where appropriate.

The lease liability is remeasured when there is a change in future lease payments arising from a change in an index or rate, if the company changes its assessment of whether it will exercise an extension option, or if there is a revised in-substance fixed lease payment.

The company assesses at the lease commencement date whether it is reasonably certain to exercise extension options. The company reassesses whether it is reasonably certain to exercise the options if there is a significant event or significant change in circumstances within its control.

Note 16. Lease liabilities (continued)

Where the company is a lessee for the premises to conduct its business, extension options are included in the lease term except when the company is reasonably certain not to exercise the extension option. This is due to the significant disruption of relocating premises and the loss on disposal of leasehold improvements fitted out in the leased premises.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to nil.

The company's lease portfolio includes:

Lease	Discount rate	Non-cancellable term	Renewal options available	Reasonably certain to exercise options	Lease term end date used in calculations
Penola Branch	4.79%	5 years	2 x 5 years	Yes	May 2034

Note 17. Employee benefits

	2023 $	2022 $
Current liabilities		
Annual leave	9,130	6,835
Non-current liabilities		
Long service leave	3,915	663

Accounting policy for employee benefits
Short-term employee benefits are expensed as the related service is provided. A liability is recognised for salary and wages where the employee has provided the service but payment has not yet occurred at the reporting date. They are measured at amounts expected to be paid, plus related on-costs. Non-accumulating sick leave is expensed when the leave is taken and measured at the rates paid or payable.

An annual leave liability is recognised for the amount expected to be paid if the company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be reliably estimated. The company's obligations for short-term employee benefits such as salaries and wages are recognised as part of current trade and other payables in the statement of financial position. The company's obligations for employees' annual leave and long service leave entitlements are recognised in employee benefits in the statement of financial position.

Superannuation contributions
Contributions to superannuation plans are expensed in the period in which they are incurred.

Short-term employee benefits
Liabilities for wages and salaries, including non-monetary benefits, annual leave and long service leave expected to be settled wholly within 12 months of the reporting date are measured at the amounts expected to be paid when the liabilities are settled.

Other long-term employee benefits
The company's net obligation in respect of long-term employee benefits is the amount of future benefit that employees have earned in return for their service in the current and prior reporting periods.

That benefit is discounted to determine its present value. Consideration is given to expected future wage and salary levels plus related on-costs, experience of employee departures, and years of service achieved. Expected future payments are discounted using market yields at the reporting date on high quality corporate bonds with terms to maturity and currencies that match, as closely as possible, the estimated future cash outflows.

Remeasurements are recognised in profit or loss in the period in which they arise.

Note 18. Issued capital

	2023 Shares	2022 Shares	2023 $	2022 $
Ordinary shares - fully paid	841,329	841,329	841,329	841,329
Less: Equity raising costs	-	-	(11,860)	(11,860)
	841,329	841,329	829,469	829,469

Accounting policy for issued capital
Ordinary shares are recognised at the fair value of the consideration received by the company being $1 per share. Any transaction costs arising on the issue of ordinary shares are recognised directly in equity as a reduction of the share proceeds received.

Rights attached to issued capital

Ordinary shares
Voting rights
Subject to some limited exceptions, each member has the right to vote at a general meeting.

On a show of hands or a poll, each member attending the meeting (whether they are attending the meeting in person or by attorney, corporate representative or proxy) has one vote, regardless of the number of shares held. However, where a person attends a meeting in person and is entitled to vote in more than one capacity (for example, the person is a member and has also been appointed as proxy for another member) that person may only exercise one vote on a show of hands. On a poll, that person may exercise one vote as a member and one vote for each other member that person represents as duly appointed attorney, corporate representative or proxy.

The purpose of giving each member only one vote, regardless of the number of shares held, is to reflect the nature of the company as a community based company, by providing that all members of the community who have contributed to the establishment and ongoing operation of the Community Bank branch have the same ability to influence the operation of the company.

Dividends
Generally, dividends are payable to members in proportion to the amount of the share capital paid up on the shares held by them, subject to any special rights and restrictions for the time being attaching to shares. The franchise agreement with Bendigo Bank contains a limit on the level of profits or funds that may be distributed to shareholders. There is also a restriction on the payment of dividends to certain shareholders if they have a prohibited shareholding interest (see below).

Transfer
Generally, ordinary shares are freely transferable. However, the directors have a discretion to refuse to register a transfer of shares.

Subject to the foregoing, shareholders may transfer shares by a proper transfer effected in accordance with the company's constitution and the *Corporations Act 2001*.

Prohibited shareholding interest
A person must not have a prohibited shareholding interest in the company.

In summary, a person has a prohibited shareholding interest if any of the following applies:

- They control or own 10% or more of the shares in the company (the "10% limit").
- In the opinion of the board they do not have a close connection to the community or communities in which the company predominantly carries on business (the "close connection test").
- Where the person is a shareholder, after the transfer of shares in the company to that person the number of shareholders in the company is (or would be) lower than the base number (the "base number test"). The base number is 190. As at the date of this report, the company had 199 shareholders (2022: 199 shareholders).

Note 18. Issued capital (continued)

As with voting rights, the purpose of this prohibited shareholding provision is to reflect the community-based nature of the company.

Where a person has a prohibited shareholding interest, the voting and dividend rights attaching to the shares in which the person (and their associates) has a prohibited shareholding interest in are suspended.

The board has the power to request information from a person who has (or is suspected by the board of having) a legal or beneficial interest in any shares in the company or any voting power in the company, for the purpose of determining whether a person has a prohibited shareholding interest. If the board becomes aware that a member has a prohibited shareholding interest, it must serve a notice requiring the member (or the member's associate) to dispose of the number of shares the board considers necessary to remedy the breach. If a person fails to comply with such a notice within a specified period (that must be between three and six months), the board is authorised to sell the specified shares on behalf of that person. The holder will be entitled to the consideration from the sale of the shares, less any expenses incurred by the board in selling or otherwise dealing with those shares.

In the constitution, members acknowledge and recognise that the exercise of the powers given to the board may cause considerable disadvantage to individual members, but that such a result may be necessary to enforce the prohibition.

Note 19. Accumulated losses

	2023 $	2022 $
Accumulated losses at the beginning of the financial year	(566,269)	(587,619)
Profit after income tax expense for the year	83,888	21,350
Accumulated losses at the end of the financial year	(482,381)	(566,269)

Note 20. Capital management

The board's policy is to maintain a strong capital base so as to sustain future development of the company. The board monitor the return on capital and the level of distributions to shareholders. Capital is represented by total equity as recorded in the statement of financial position.

In accordance with the franchise agreement, in any 12 month period the funds distributed to shareholders shall not exceed the distribution limit.

The distribution limit is the greater of:

- 20% of the profit or funds of the company otherwise available for distribution to shareholders in that 12 month period; and
- subject to the availability of distributable profits, the relevant rate of return multiplied by the average level of share capital of the company over that 12 month period where the relevant rate of return is equal to the weighted average interest rate on 90 day bank bills over that 12 month period plus 5%.

The board is managing the growth of the business in line with this requirement. There are no other externally imposed capital requirements, although the nature of the company is such that amounts will be paid in the form of charitable donations and sponsorship. Charitable donations and sponsorship paid for the financial year can be seen in the statement of profit or loss and other comprehensive Income.

There were no changes in the company's approach to capital management during the year.

Note 21. Financial instruments

	2023 $	2022 $
Financial assets		
Trade and other receivables	30,041	14,730
Cash and cash equivalents	151,754	31,459
	181,795	46,189
Financial liabilities		
Trade and other payables	25,260	40,244
Lease liabilities	238,324	250,372
	263,584	290,616

Accounting policy for financial instruments
A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. The company's financial instruments include trade debtors and creditors, cash and cash equivalents, borrowings and lease liabilities.

Trade receivables are initially recognised at the transaction price when they originated. All other financial assets and financial liabilities are initially measured at fair value plus transaction costs (where applicable), when the company becomes a party to the contractual provisions of the instrument. These assets and liabilities are subsequently measured at amortised cost using the effective interest method.

Financial assets are derecognised where the contractual rights to receipt of cash flows expires or the rights are transferred to another party whereby the entity no longer has any significant continuing involvement in the risks and rewards associated with the asset. Financial liabilities are derecognised when its contractual obligations are discharged, cancelled, or expire. Any gain or loss on derecognition is recognised in profit or loss.

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the company currently has a legally enforceable right to set off the amounts and intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously.

Financial risk management
The company has exposure to credit, liquidity and market risk arising from financial instruments. The company's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the company. The company does not use derivative instruments. Risk management is carried out directly by the board.

Market risk
Market risk is the risk that changes in market prices - e.g. foreign exchange rates, interest rates, and equity prices - will affect the company's income or the value of its holdings in financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return. The company has no exposure to any transactions denominated in a currency other than Australian dollars.

Interest-bearing assets and liabilities are held with Bendigo Bank and earnings on those subject to movements in market interest rates. Interest-rate risk could also arise from long-term borrowings. The company held cash and cash equivalents of $151,754 at 30 June 2023 (2022: $31,459).

Price risk
The company is not exposed to equity securities price risk as it does not hold investments for sale or at fair value. The company is not exposed to commodity price risk.

Credit risk
Credit risk is the risk of financial loss to the company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the company's receivables from customers.

Note 21. Financial instruments (continued)

The company's franchise agreement limits the company's credit exposure to one financial institution, being Bendigo Bank. The company monitors credit worthiness through review of credit ratings, Bendigo Bank is rated BBB+ on Standard & Poor's credit ratings.

Liquidity risk
Liquidity risk is the risk that the company will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The company's approach to managing liquidity is to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when they are due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the company's reputation.

Exposure to liquidity risk
The following are the remaining contractual maturities of financial liabilities. The contractual cash flow amounts are gross and undiscounted and therefore may differ from their carrying amount in the statement of financial position.

2023	1 year or less $	Between 1 and 5 years $	Over 5 years $	Remaining contractual maturities $
Trade and other payables	25,260	-	-	25,260
Lease liabilities	24,486	105,515	180,798	310,799
Total non-derivatives	49,746	105,515	180,798	336,059

2022	1 year or less $	Between 1 and 5 years $	Over 5 years $	Remaining contractual maturities $
Trade and other payables	40,244	-	-	40,244
Lease liabilities	23,779	102,442	208,357	334,578
Total non-derivatives	64,023	102,442	208,357	374,822

Note 22. Key management personnel disclosures

The following persons were directors of Penola & District Financial Services Limited during the financial year and/or up to the date of signing of these Financial Statements

Shane McPherson
Kirsty Anne Balnaves
Sophie Jane Angus
Mark Edwards
Lachlan Hamilton Heysen
Amanda Skene Harrold
Anna Copping
Thomas David Pearce
Michael John Palm

No director of the company receives remuneration for services as a company director or committee member.

There are no executives within the company whose remuneration is required to be disclosed.

Note 23. Related party transactions

The following transactions occurred with related parties:

	2023 $	**2022 $**
Grocery products were purchased from the Penola IGA managed by Shane McPherson. The total benefit received was:	-	133

Note 23. Related party transactions (continued)

Transactions between related parties are on normal commercial terms and conditions no more favourable than those available to other parties unless otherwise stated.

Note 24. Remuneration of auditors

During the financial year the following fees were paid or payable for services provided by Andrew Frewin Stewart, the auditor of the company:

	2023 $	2022 $
Audit services		
Audit or review of the financial statements	5,400	5,200
Other services		
Taxation advice and tax compliance services	860	600
General advisory services	3,520	2,630
Share registry services	2,100	2,000
	6,480	5,230
	11,880	10,430

Note 25. Reconciliation of profit after income tax to net cash provided by operating activities

	2023 $	2022 $
Profit after income tax expense for the year	83,888	21,350
Adjustments for:		
Depreciation and amortisation	44,435	44,068
Lease liabilities interest	11,732	12,276
Change in operating assets and liabilities:		
Increase in trade and other receivables	(12,427)	(6,328)
Decrease in deferred tax assets	27,991	7,117
Decrease in trade and other payables	(1,800)	(313)
Increase/(decrease) in employee benefits	5,547	(7,100)
Increase in other provisions	83	79
Net cash provided by operating activities	159,449	71,149

Note 26. Earnings per share

	2023 $	2022 $
Profit after income tax	83,888	21,350
	Number	**Number**
Weighted average number of ordinary shares used in calculating basic earnings per share	841,329	841,329
Weighted average number of ordinary shares used in calculating diluted earnings per share	841,329	841,329

Note 26. Earnings per share (continued)

	Cents	Cents
Basic earnings per share	9.97	2.54
Diluted earnings per share	9.97	2.54

Accounting policy for earnings per share
Basic and diluted earnings per share is calculated by dividing the profit attributable to the owners of Penola & District Financial Services Limited, by the weighted average number of ordinary shares outstanding during the financial year.

Note 27. Commitments

The company has no commitments contracted for which would be provided for in future reporting periods.

Note 28. Contingencies

There were no contingent liabilities or contingent assets at the date of this report.

Note 29. Events after the reporting period

No matter or circumstance has arisen since 30 June 2023 that has significantly affected, or may significantly affect the company's operations, the results of those operations, or the company's state of affairs in future financial years.

Directors' declaration

30 June 2023

In the directors' opinion:

- the attached financial statements and notes comply with the *Corporations Act 2001*, the Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements;

- the attached financial statements and notes comply with International Financial Reporting Standards as issued by the International Accounting Standards Board as described in the notes to the financial statements;

- the attached financial statements and notes give a true and fair view of the company's financial position as at 30 June 2023 and of its performance for the financial year ended on that date; and

- there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of directors made pursuant to section 295(5)(a) of the *Corporations Act 2001*.

On behalf of the directors

Shane McPherson
Chair

31 August 2023

Independent audit report

Andrew Frewin Stewart
61 Bull Street Bendigo VIC 3550
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Independent auditor's report to the Directors of Penola & District Financial Services Limited

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of Penola & District Financial Services Limited (the company), which comprises:

- Statement of financial position as at 30 June 2023
- Statement of profit or loss and other comprehensive income
- Statement of changes in equity
- Statement of cash flows
- Notes to the financial statements, including a summary of significant accounting policies
- The directors' declaration of the company.

In our opinion, the accompanying financial report of Penola & District Financial Services Limited, is in accordance with the *Corporations Act 2001*, including:

i. giving a true and fair view of the company's financial position as at 30 June 2023 and of its financial performance for the year ended on that date; and
ii. complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report.

We are independent of the company in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's *APES 110 Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Andrew Frewin Stewart
61 Bull Street Bendigo VIC 3550
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Other Information

The other information comprises the information included in the company's annual report for the year ended 30 June 2023, but does not include the financial report and our auditor's report thereon. The annual report may also include "other information" on the company's operations and financial results and financial position as set out in the financial report, typically in a Chairman's report and Manager's report, and reports covering governance and shareholder matters.

The directors are responsible for the other information. The annual report is expected to be made available to us after the date of this auditor's report.

Our opinion on the financial report does not cover the other information and accordingly we will not express any form of assurance conclusion thereon.

Our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If we identify that a material inconsistency appears to exist when we read the annual report (or become aware that the other information appears to be materially misstated), we will discuss the matter with the directors and where we believe that a material misstatement of the other information exists, we will request management to correct the other information. We have nothing to report in this regard.

Responsibilities of the Directors for the Financial Report

The directors of the company are responsible for the preparation of the financial report that it gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or cease operations, or have no realistic alternative but to do so.

The directors are responsible for overseeing the company's financial reporting process.

Auditor's responsibilities for the Audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists.

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Misstatement can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Andrew Frewin Stewart
61 Bull Street, Bendigo, Vic, 3550
Dated: 31 August 2023

Joshua Griffin
Lead Auditor

afsbendigo.com.au

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Bendigo Bank